DealBook Briefing: A Trade Truce With China? It's Anyone's Guess

The New York Times

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Highlight: Mixed messages are emerging from the White House about whether Presidents Trump and Xi Jinping can reach some kind of agreement later this week.

Body

Good Wednesday. (Want this by email? Sign up here.)

Mixed trade messages from the White House

Right now, it is anyone's guess what might happen when President Trump and President Xi Jinping of China talk at the Group of 20 meeting in Buenos Aires this weekend:

On the one hand, Mr. Trump has said it's "highly unlikely" that he would delay or suspend his plan to raise his tariffs on $200 billion worth of Chinese goods, currently 10 percent, to 25 percent next year.

On the other, unidentified American officials told the NYT that Mr. Trump is increasingly worried about how a prolonged trade war would affect the financial markets and the broader economy. That could help delay new tariffs, and give more time to find common ground.

Somewhere in the middle is Larry Kudlow, Mr. Trump's top economic adviser. He said yesterday that "there's a good possibility that we can make a deal" and added that Mr. Trump is "open to it." But he also called Beijing "resistant to change," and said it was up to Mr. Xi to "step up and come up with new ideas."

Why G.M. might not let Trump steer

President Trump tweeted yesterday that he may end government subsidies to the carmaker after it decided to idle five North American factories, laying off thousands of workers, while continuing to manufacture in Mexico and China.

Mr. Trump promised to fight for U.S. auto jobs. So he's considering cutting government credits that help G.M. develop electric vehicles, in the hope that it convinces the company to keep its plants in Ohio and Michigan.

But that's much less scary to G.M. than the forces behind its decision, which include tumbling passenger-car sales and the president's own metals tariffs. And who'd quit China when it's the world's biggest car market

The WSJ editorial board warned the president to tread carefully: "If he intervenes to make G.M. less competitive, Mr. Trump will merely hurt more workers."

And there's something else that might get the factories back open: G.M.'s looking to negotiate wage cuts with the United Auto Workers union.

Mark Zuckerberg was a no-show for lawmakers in London

Politicians from nine countries sat down in London yesterday to examine Facebook’s business practices, leaving an empty chair for Mark Zuckerberg.

Instead, lawmakers from Britain, Canada, France, Belgium and beyond grilled Richard Allan, Facebook’s vice president for policy solutions. Some highlights:

“We have damaged public trust through some of the actions we’ve taken,” Mr. Allan said. He repeated variations of the apology several times.

Damian Collins, a British lawmaker investigating Facebook over fake news, said he had reviewed an email in a cache of seized documents that suggested a company engineer had highlighted suspicious Russian-linked data harvesting on its platform in 2014, two years before the interference around the last presidential election.

Facebook responded that “the engineer who had flagged those initial concerns subsequently looked into this further and found no evidence of specific Russian activity.”

Mr. Collins said he hoped to release the internal Facebook documents within the “next week or so,” after they have been vetted.

More Facebook news: An ex-employee says it has a “black people problem.”

Coming up: All eyes on the Fed

Later today, the Fed will issue its first financial stability report, an assessment of the country’s potential “vulnerabilities” based on indicators like bank loans and household borrowing. It will also publish minutes from its meeting last month. (The Fed’s vice chairman, Richard Clarida, said yesterday that the central bank plans to keep raising short-term rates gradually, which implies a December move. But Nick Timiraos of the WSJ suggests the era of steady raises will end soon.)

But the day’s most tantalizing event will be a speech by the Fed’s chairman, Jay Powell, at the Economic Club of New York. (Watch it here at noon Eastern.) Yesterday, President Trump continued attacking the central bank in public, telling the WaPo, “I’m not happy with the Fed. So far, I’m not even a little bit happy with my selection of Jay.” How will Mr. Powell react?

Microsoft’s revival is making it more valuable than Apple

For the second day in a row, Microsoft briefly overtook Apple to become world’s most valuable company — a spot it last held over a decade ago. The back-and-forth highlights how much Microsoft has recovered after years of stagnation, and how rocky Apple’s future looks.

Under Satya Nadella, Microsoft has prospered by focusing on cloud computing, which appears poised to overtake smartphones as tech’s most important growth area. It’s a sector that Goldman Sachs says could be worth $650 billion, and where Microsoft is second only to Amazon. The main worry is potential regulation, given the two companies control about 70 percent of the cloud infrastructure market.

Meanwhile, Apple’s shares have fallen 20 percent over the past month. Investors have worried about weak demand for the latest iPhones, and President Trump hasn’t helped by talking about tariffs on Apple’s imports from China. It’s unclear how the company’s outlook will improve in the short term, and that may cost it stock-market bragging rights.

M.&A. may not be so bad after all

Big takeovers helped companies outperform the MSCI World stock index over the past decade, according to a new study by the consultancy Willis Towers Watson and Cass Business School. That contradicts a longstanding consensus that M.&A. destroys value for shareholders. But, as the study shows, some deals are better than others:

Those over $10 billion were the best performers, outpacing the MSCI index by 4.3 percentage points. Transactions between $100 million and $1 billion barely beat the index.

Tech and telecom deals performed worst, with acquirers lagging by up to 1.5 percentage points. Companies in the materials and consumer staples market did the best, coming in up to 5.6 percentage points over the index.

Asian deal-makers beat their regional index the most, by 8.3 percentage points. American acquirers did so by just 1.5 percentage points.

Betting on a climate crisis

Late last week, the Trump administration issued a report with a stark warning: Left unchecked, climate change could erase 10 percent off the size of the American economy by 2100.

Investments could reduce that hit. The economic impact of climate change drops by up to 70 percent if greenhouse-gas emissions peak before the middle of the century and then fall. Breakingviews calculates that “fully decarbonizing the world’s cement, steel, plastics, trucking, shipping and aviation sectors by 2050 could require investing some 0.5 percent of global G.D.P. a year,” but adds that “it would bring efficiencies, employment and advances in technology that could more than offset the costs.”

Some politicians are seizing the opportunity. Today, the E.U. will publish a road map for tackling climate change. It will show that cutting carbon emissions to zero in Europe by 2050 could require annual investments of as much as €290 billion, or about $330 billion. “We are an early mover, showing the rest of the world how this can be done,” said Miguel Arias Cañete, the E.U.’s commissioner for climate action and energy.

President Trump is not. His response to his own administration’s report: “I don’t believe it.”

The U.S. busted a global ad fraud ring

The Justice Department indicted eight men yesterday for running a fraud scheme that it says posed a huge risk to the entire digital ad industry. F.B.I. agents investigated the operation, code-named “3ve,” after being tipped off by Google and the bot-detection consultancy White Ops.

More from Craig Silverman of BuzzFeed News on the scale of the fraud:

Revolving door

Robert Sauerberg will step down as Condé Nast’s C.E.O. as the publisher merges its U.S. and international arms.

Mark Clouse, a former C.E.O. of Pinnacle Foods, is reportedly the top choice to lead Campbell Soup.

Sylvie Matherat, Deutsche Bank’s chief regulatory officer, and Tom Patrick, its Americas C.E.O., may depart.

The stock-trading platform Robinhood hired Jason Warnick from Amazon as its first C.F.O.

Waymo, the autonomous vehicle company spun out from Google, hired Amee Chande, a former Alibaba executive, as its chief commercial officer, and Deborah Hersman, once head of the National Transportation Safety Board, as chief safety officer.

The speed read

Deals

Nelson Peltz’s Trian investment firm has reportedly decided not to bid for Papa John’s. (WSJ)

Unilever is said to be in exclusive talks to buy GlaxoSmithKline’s $4 billion nutrition business. (FT)

The publicly traded hedge fund Och-Ziff Capital Management is in danger of being delisted. (Bloomberg)

Advent International and other private equity firms are reportedly interested in buying the French beauty retailer L’Occitane. (FT)

Laurene Powell Jobs’s Emerson Collective added to its media empire by buying Pop-Up Magazine Productions. (NYT Op-Ed)

Politics and policy

President Trump demanded $5 billion from Congress for a border wall, risking a partial government shutdown. (NYT)

Mr. Trump’s desire for cheap oil may discourage American shale drillers. (FT)

Senator Cindy Hyde-Smith won Mississippi’s runoff election, expanding a Republican majority. (NYT)

Prime Minister Theresa May of Britain reportedly backed down from efforts to stop lawmakers rewriting her Brexit deal. (Bloomberg)

Trade

Britain won provisional support to rejoin an important World Trade Organization agreement after Brexit. (Bloomberg)

Ford hopes to dodge some tariffs by building luxury vehicles in China. (Bloomberg)

Tech

Supporters of a European tax on big tech companies’ revenues are lobbying E.U. officials. (Bloomberg)

The A.I. research community is surprisingly fractious. (Axios)

Several hundred Google workers signed a letter asking the company to abandon its plans to work in China. Its C.E.O. is reportedly set to finally testify to Congress on Dec. 5.

Amazon has started to sell A.I. software that extracts medical information from patient records. And it says Monday was its biggest shopping day ever.

Chinese authorities are cracking down on the ride-hailing industry over safety. (Reuters)

Best of the rest

Energy speculators have leapt on a chance to lease public land cheaply. (NYT)

The world’s new top bank cop faces a stress test of his own. (Breakingviews)

Gun stocks slid after the N.R.A. announced a steep drop in contributions. (Fortune)

American consumer confidence has fallen from an 18-year high. (WSJ)

How rich people hide their homes. (FT)

Thanks for reading! We’ll see you tomorrow.

We’d love your feedback. Please email thoughts and suggestions to business@nytimes.com.

PHOTO: President Trump and President Xi Jinping of China last year. (PHOTOGRAPH BY Andy Wong/Associated Press FOR THE NEW YORK TIMES)

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Company: FACEBOOK INC (50%)

Ticker: FB (NASDAQ) (50%)

Industry: NAICS519130 INTERNET PUBLISHING & BROADCASTING & WEB SEARCH PORTALS (50%); AUTOMOTIVE MFG (87%); AUTOMOTIVE (86%); MANUFACTURING FACILITIES (86%); ELECTRIC VEHICLE INDUSTRY (79%); BANKING & FINANCE REGULATION & POLICY (74%); BANKING & FINANCE (73%); FINANCIAL MARKETS & INVESTING (73%); AUTOMOBILE MFG (70%); AUTOMOTIVE SECTOR PERFORMANCE (70%); AUTOMOTIVE WORKERS (70%); FACTORY WORKERS (70%); SOCIAL MEDIA MISINFORMATION (66%); AUTOMAKERS (65%); ELECTRIC VEHICLES (65%); AUTOMOTIVE SALES (64%); ELECTRIC MOBILITY (64%); MOTOR VEHICLES (64%); SUSTAINABLE TRANSPORTATION (64%)

Person: DONALD TRUMP (94%); XI JINPING (92%); MARK ZUCKERBERG (62%); Trump, Donald J; Xi Jinping

Geographic: LONDON, ENGLAND (90%); BEIJING, CHINA (79%); MICHIGAN, USA (79%); NORTH CENTRAL CHINA (78%); CHINA (94%); UNITED STATES (92%); CANADA (79%); FRANCE (79%); NORTH AMERICA (79%); UNITED KINGDOM (79%); BELGIUM (58%)

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